

Supplemental Information

Additional OASDI Information

Calendar Year	1952	1962	1972	1982	1992	2002
Trends in factors affecting revenues						
- Taxable wage base for coverage						
Social Security	\$3,600	\$4,800	\$9,000	\$32,400	\$55,500	\$84,900
Medicare (HI)	NA	NA	\$9,000	\$32,400	\$130,200	No Limit
- Tax contribution and distribution rates:						
- FICA tax rate (employers & employees each)						
OASI (initiated 1937)	1.50%	2.875%	4.05%	4.575%	5.60%	5.30%
DI (initiated 1957)	NA	.25%	.55%	.825%	.60%	.90%
HI (initiated 1966)	NA	NA	.60%	1.30%	1.45%	1.45%
Combined	1.5%	3.125%	5.20%	6.70%	7.65%	7.65%
- SECA Tax Rate						
OASI (initiated 1951)	2.25%	4.325%	6.075%	6.813%	11.20%	10.60%
DI (initiated 1957)	NA	.375%	.825%	1.238%	1.20%	1.80%
HI (initiated 1966)	NA	NA	.60%	1.30%	2.90%	2.90%
Combined	2.25%	4.70%	7.50%	9.35%	15.30%	15.30%
- Percent of benefits taxed	NA	NA	NA	NA	50.0% ¹	85.0% ²
Trends in factors affecting outlays						
- No. of beneficiaries (in millions) ³	5.0	18.1	28.1	35.8	41.5	46.5 ⁴
Retirees/dependents	3.5	12.7	17.9	24.4	24.3	32.3
Survivors of deceased workers	1.6	4.1	6.9	7.4	7.3	6.9
Disabled workers/dependents	NA	1.3	3.3	4.0	4.9	7.3
- Benefit payment COLA increase ⁵	NA	NA	NA	7.4%	3.7%	2.6%
- No. of workers per beneficiary ⁶	12.7	4.3	3.5	3.2	3.3	3.3
- Retirement Age						
Highest Benefits ⁷	65 yrs.	65 yrs.	70 yrs.	70 yrs.	70 yrs.	70 yrs.
Full Benefits ⁸	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.
Reduced Benefits	NA ⁹	62 yrs.	62 yrs.	62 yrs.	62 yrs.	62 yrs.

1. Income over \$25,000 for an individual or \$32,000 for a couple.

2. Income over \$34,000 for an individual and \$44,000 for a couple; income between \$25,000 and \$34,000 for an individual and between \$32,000 and \$44,000 for a couple are taxed at 50%.

3. The first old-age and survivors benefit checks were issued in 1940 and the first disability checks in 1957. Number of beneficiaries are those in current-payment status for December 31. Excludes special age 1972 beneficiaries.

4. Estimated, based on the intermediate economic and demographic assumptions in the 2002 Trustees Report. Totals may not add due to rounding.

5. Prior to 1975, benefit increases were at the discretion of Congress. Data represents the increase in the benefit check received during the calendar year.

6. Per OASI beneficiary in 1952; per OASDI beneficiary in 1962, 1972, 1982, 1992 and 2002.

7. Delayed retirement credits, increasing benefits up to age 70, became available in 1971.

8. Age at which there is neither a reduction in benefits for early retirement nor an increase for delayed retirement.

9. Reduced benefits were not offered until 1956 for women and 1961 for men.

Anti-Fraud Activities

SSA is committed to a policy of zero tolerance for fraud, waste and abuse (see Major Issues Facing SSA section for more information). Section 206 (g) of the Social Security Independence and Program Improvements Act, Public Law 103-296 requires SSA to report annually on the extent to which cases of entitlement to monthly OASI, DI and SSI benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency:

Disability Quality Assurance Reviews

SSA performs quality assurance reviews to measure the level of decisional accuracy for the State DDSs against standards mandated by regulations. These reviews are conducted prior to effectuation of the DDS determinations and cover initial claims, reconsiderations and determinations of continuing eligibility. The following table shows that the State DDSs have consistently made the correct decision to allow benefits.

Quality Assurance Review				
	FY 1999	FY 2000	FY 2001	FY 2002
% of accurate decisions to allow or continue benefits by State DDSs	96.1%	96.7%	96.8%	96.3%
No. of cases reviewed	43,863	42,196	39,515	39,188
No. of cases returned to DDS due to error or inadequate documentation	1,705	1,381	1,281	1,455

SSA also performs preeffectuation reviews of DDS determinations of continuing eligibility using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. The table below shows that over 96% of the decisions made on preeffectuation reviews are accurate.

Preeffectuation Reviews				
	FY 1999	FY 2000	FY 2001	FY 2002
% of State DDS decisions not returned to DDS due to error or inadequate documentation	96.4%	96.6%	96.8%	96.3%
No. of cases reviewed	254,134	259,785	298,150	310,414
No. of cases returned to DDS due to error or inadequate documentation	9,082	8,748	9,602	11,376

Continuing Disability Reviews (CDRs)

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews through which SSA determines whether beneficiaries continue to be entitled to benefits because of their medical conditions. Once an individual becomes entitled to Social Security or SSI benefits, any changes in their circumstances may affect the amount or continuation of payment and thus must be reflected in SSA’s records. The performance accuracy of these CDRs is displayed below.

CDR Performance Accuracy				
	FY 1999	FY 2000	FY 2001	FY 2002
Overall Average	95.3%	96.1%	96.1%	95.2%
Continuances	95.8%	96.5%	96.4%	95.5%
Cessations	93.3%	93.6%	93.8%	93.5%

OASI and SSI Quality Assurance Reviews

One of SSA’s five GPRA strategic goals is ‘to ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse’. One of the ways in which SSA ensures this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the GPRA Performance Results section of this report on pages 125 through 128.

SSI Redeterminations

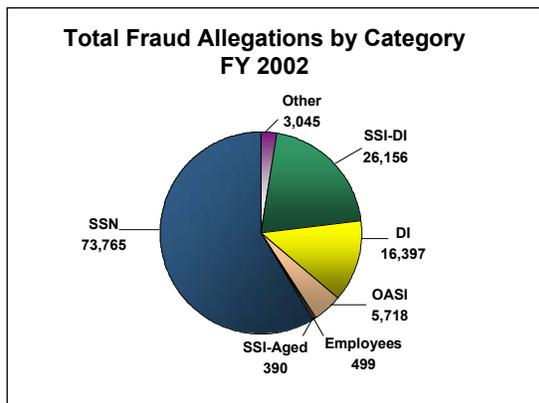
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. SSA has set a goal for the number of SSI redeterminations to be processed in FY 2002. Detailed discussion on SSI redetermination performance can be found in the GPRA Performance Results section of this report on page 146.

Payment Safeguarding Activities

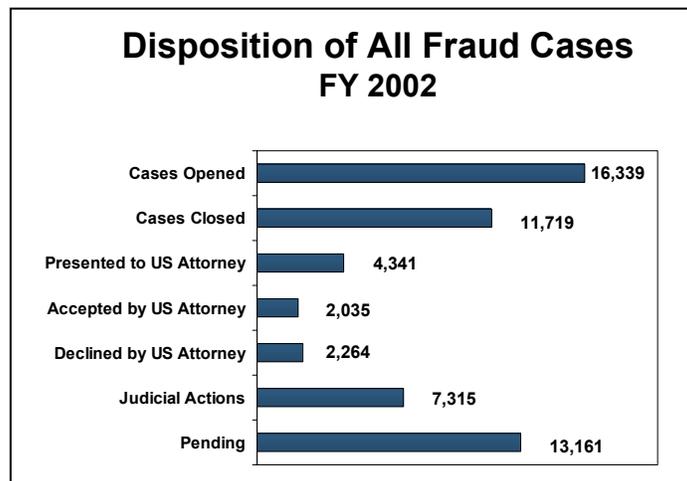
Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, SSA invested more than \$1.1 billion in processing over 10 million alerts in FY 2002. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of \$7.2 billion in overpayments detected and/or prevented.

OIG’s Anti-Fraud Activities

In FY 2002, as part of its fraud detection and prevention program for safeguarding the Agency’s assets, SSA worked with our OIG, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The following charts summarize OIG’s involvement in fraud activities throughout the FY.



The integrity of SSA's records and payments is maintained through an overall security program which controls access to SSA databases and refers suspected fraud and abuse cases to OIG for investigation and, if indicated, prosecution by the Department of Justice. Protection of data security violations continues to remain excellent with 99.9 percent of business transactions occurring without incident.



Biennial Review of User Fee Charges

Summary of Fees

User fee revenues of \$253 and \$269 million in FY 2001 and FY 2002, respectively, accounted for less than .1 percent of SSA's total financing sources. Over 95 percent user fee revenues are derived from agreements with 25 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2002, SSA charged a fee of \$8.50 per payment for the cost of administering State supplemental SSI payments. This fee will increase to \$8.59 for FY 2003. The user fee will be adjusted annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. SSA charges full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The Chief Financial Officers Act of 1990 requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law and periodically adjust these fees to reflect current costs or market value. SSA's review of fees during FY 2002 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed.

Debt Management

During FY 2002, SSA continued to strengthen its debt management program. In February 2002, SSA's developmental efforts culminated in the addition of three new debt collection tools to its existing debt management program to improve the Agency's ability to collect SSI program debts. The Agency implemented mandatory cross program recovery, administrative offset and credit bureau reporting for title XVI overpayments.

- Mandatory cross program recovery is the collection of an SSI overpayment from any title II benefits due the person. In the past, SSA was able to use this collection technique only if the person consented to its use. As a result of a legislative proposal by SSA, Congress gave the Agency the authority to impose this collection method on the SSI debtor without that person's consent (per P.L. 105-306, Noncitizen Benefit Clarification and Other Technical Amendments Act). Mandatory cross program recovery began in February 2002 and will enable SSA to collect an estimated \$115 million in SSI debts over a 5-year period.
- Administrative offset for SSI debts enables SSA to collect the overpayments from Federal payments in addition to tax refunds; e.g., vendor/miscellaneous payments and annuities paid by the Office of Personnel Management. Congress gave SSA the authority to use administrative offset as well as credit bureau reporting for SSI debts when it passed the Foster Care Independence Act. In FY 2002, SSA began referring SSI debts to the Treasury Offset Program (TOP) for collection by administrative offset. At the same time, SSA began reporting delinquent SSI debtors to credit bureaus. Throughout FY 2002, the Agency also used TOP to collect delinquent SSI debts from tax refunds and delinquent title II overpayments from tax refunds and other Federal payments. As of October 2002, SSA has collected over \$535 million from tax refunds and other Federal payments since January 1992.
- The Agency continued its credit bureau reporting program, in place since June 1998, for title II debts. All of the foregoing debt collection tools have been assimilated into SSA's existing debt collection program, which makes use of benefit withholding from people receiving Social Security payments and billing and follow-up for people no longer on the rolls.

In addition to the development and use of aggressive debt collection tools in FY 2002, SSA developed a new system for monitoring and analyzing its programmatic debt portfolio. This powerful new system enables SSA to take regular "snapshots" of its debt and ultimately determine where to focus its debt resolution efforts; e.g., on overpayments that are not in a collection arrangement. The Agency is using this new system to help develop special projects to resolve that problem debt. The end result will be a debt management program that puts maximum emphasis on achieving collection arrangements.

In FY 2002, SSA also continued its development of administrative wage garnishment (AWG), or the collection of SSI and title II debts from the wages of people working in the private sector. The Agency wrote draft regulations, which will be published as a Notice of Proposed Rulemaking. AWG promises to be a significant addition to SSA's debt collection program.

The following collection data includes all the program debt owed to SSA and is presented on a combined basis without intra-Agency eliminations. Collection data shown in the Government Performance and Results Act only includes legally defined overpayments in which beneficiaries have certain due process rights.

<i>SSA Debt Management Activities</i>	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total debt outstanding end of FY (millions)	\$5,727.3	\$6,524.4	\$7,107.7	\$11,437.1	\$12,531.0
% of outstanding debt					
- Delinquent	14.6%	13.5%	15.5%	9.3%	16.5%
- Estimated to be uncollectable	29.0%	30.2%	33.9%	25.3%	18.9%
New debt as a % of benefit outlays	0.8%	1.0%	0.9%	1.7%	0.9%
% of debt collected	33.2%	34.0%	33.5%	19.9%	18.5%
Cost to collect \$1	\$0.11	\$0.11	\$0.10	\$0.11	\$0.11
% change in collections from prior FY	(11.9%)	16.5%	7.6%	(4.4%)	1.5%
% change in delinquencies from prior FY	12.1%	5.4%	25.6%	(3.5%)	94.4% ¹
Debt clearance rate	30.1%	30.8%	31.0%	21.5%	21.0%
Collections as a % of clearances	76.2%	73.3%	73.7%	70.8%	70.8%
Total write-offs of debt (in millions)	\$595.1	\$807.6	\$850.8	\$941.3	\$954.0
Average number of months to clear receivables:					
- OASI	13	12	12	14	14
- DI	29	25	26	32	34
- SSI	23	20	27	4	26

1. In September 2001, SSA implemented a new process FY 2002 that identifies, ages, and reports delinquent debt on an individual debt basis in the SSI program. This new process increased the amount of delinquent SSI debt reported from about \$61 million at the close of FY 2001 to about \$1.1 billion at the close of FY 2002.

FY 2002 Quarterly Data (In Millions)				
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Total receivables (cumulative)	\$11,645.2	\$11,845.7	\$12,241.0	\$12,531.0
Total collections (cumulative)	515.3	1,141.0	1,726.3	2,313.8
Total write-offs (cumulative)	213.5	434.1	688.2	954.0
TOP collections (cumulative)	3.8	50.6	84.5	86.2
Aging schedule of delinquent debts:				
- 180 days or less	\$865.0	\$700.8	\$768.5	\$790.8
- 181 to 10 years	1,378.8	1,291.5	1,212.3	1,251.6
- Over 10 years	<u>37.9</u>	<u>37.2</u>	<u>30.7</u>	<u>31.1</u>
- Total delinquent debt	\$2,281.7	\$2,029.5	\$2,011.5	\$2,073.5